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C O N F I D E N T I A L BUENOS AIRES 000257

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TAGS: [ECON](#) [EFIN](#) [ETRD](#) [EINV](#) [AR](#)  
SUBJECT: ARGENTINA: POST-MORTEM ON LOCAL REACTION TO INCSR  
II MONEY LAUNDERING REPORT

REF: BUENOS AIRES 1635

Classified By: Amb. E.A. Wayne. Reasons 1.4 (B,D)

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Summary  
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¶1. (C) Argentine press again stirred up tensions between the GoA and USG, running a story on U.S. criticism of Argentina's tax amnesty law included in the February 27 INCSR money laundering report. Press reports contrasted USG comments with the GoA's apparently successful defense of the law during the February 24-26 Financial Action Task Force (FATF) plenary. The Department's issuance on March 2 of updated language and Post's rapid issuance of press guidance clarifying USG positions calmed GoA officials and the media reporting. The initial INCSR report reportedly upset President Cristina Fernandez de Kirchner (CFK), but during a March 1 speech she blamed the press for distorting the issue. Local press attempted to link this issue to the controversy over CIA Director Panetta's misreported statements (reftel), but Post and the Department's fast action over the weekend succeeded in defusing both quarrels. Among the lessons learned are that Posts should routinely clear final reports before publication, and the USG should raise concerns privately and preferably in a multilateral setting before reporting them publicly. Post's analysis of this law provided septel. End Summary.

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Press Causes Ruckus over INCSR Report  
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¶2. (SBU) Just as Post was getting a handle on the controversy generated by CIA Director Panetta's misquoted statements about Argentina's economic stability (reftel), largest Argentine daily Clarin revived bilateral tension with its February 28 article on the International Narcotics Control Strategy Report (INCSR) Part II on money laundering, published February 27. The Clarin story, which other media outlets immediately picked up, correctly reported that the INCSR money laundering country report on Argentina suggests that the GoA's new tax amnesty and capital repatriation law could potentially provide "a government-sponsored means of laundering money," and could also potentially "compromise the GoA's overall anti-money laundering and counterterrorist financing (AML/CFT) regime."

¶3. (C) Clarin and other media contrasted the critical U.S. comments with the seemingly positive results of the February 24-26 FATF Plenary in Paris. Minister of Justice Anibal Fernandez personally represented the GoA and defended the law, arguing that Argentina had sufficient legal and

regulatory safeguards in place to preclude any abuse of the tax amnesty law for purposes of laundering dirty money. GoA officials subsequently reported to local press that other delegations -- including the USdel -- had accepted the GoA's explanation without criticism or any significant comment. (The GoA's National AML/CFT Coordinator Alejandro Strega called Econoff from Paris and relayed that U.S. delegation members seemed satisfied with the GoA's explanation when he spoke to them February 27, so it was "a shock" for him and the Minister when they saw the Clarin article February 28.)

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INCSR Update and Press Releases Calm GoA  
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14. (C) The controversial language in the INCSR report was added in Washington, and Post discovered it just prior to publication. Given that the INCSR was drafted in December, the added language refers to a law passed only by Argentina's lower house, and made qualitative statements about it even when no reliable analysis of the law had been completed. Post had deliberately held back on reporting the law, because it did not enter into effect until December 24, 2008 and because the GoA had yet to pass implementing regulations (published February 2) that would establish safeguards. We were also aware that the Argentine Central Bank was considering whether it needed to take precautionary measures.

15. (C) Given these circumstances, INL agreed even before the issue hit the press to update the text on the State Department website by March 2. Post's press guidance,

drafted and distributed on Saturday, February 28, explained that planned modifications would account for the full passage of the law and the expected introduction of safeguards via the implementing regulations. Post's March 2 guidance provided the fully updated text. Subsequent press reports of the USG clarifications heavily quoted the statement in the revised text that notes that high-level GoA officials had made assurances that all Argentine AML/CFT legislation will comply with Argentina's obligations as a member of FATF and GAFISUD (the South American FATF).

16. (C) This rapid clarification of the text over the weekend mollified GoA officials. Justice Minister Fernandez told the Ambassador March 1 that the President was so upset by the initial press reports that she was going to order the Foreign Minister to call in the Ambassador again. (This would have occurred one working day after the Foreign Minister convoked the Ambassador over the Panetta controversy.) However, Post's press releases apparently alleviated her anger over the incident. When she mentioned the issue during her annual State of the Nation speech to the Argentine Congress on March 1, she blamed the press for distorting the issue and noted that the USG had modified its original critical statements about the law. Nevertheless, the subtle message from Minister Fernandez was that the President's criticism in the nationally televised speech would have been aimed at the United States if Post had not got the guidance out (and INL had not agreed to make the changes so rapidly).

17. (C) Given that this dust-up came on the heels of the controversy over the remarks attributed to Director Panetta, Clarin and other media attempted to link the two together as evidence of a broader deterioration of bilateral relations. Nevertheless, the Department and Post's rapid work to update the text and explain the changes to the public assuaged GoA anxiety and relegated both subjects to the back pages. There are still lingering efforts to resurrect the debate. For example, a March 6 editorial announces the USG's return to realpolitik, as evidenced by the "carrots" we provide Brazil and the "sticks" (i.e., Panetta's comments and INCSR critique) we give Argentina. However, for the most part, the case is closed for both.

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18. (C) This latest go-round with the hyper-sensitive GoA has reminded us of the importance of having Posts routinely clear on the final versions of public reports, and it is incumbent on us to coordinate with Washington agencies on edits suggested to our initial drafts. This experience has also highlighted three considerations to take into account when preparing to publish reports about other countries that are potentially controversial on the ground. First, we would argue that a public USG report is the wrong place for a foreign government, with which we have at least relatively civilized relations, to hear for the first time that we have concerns about its legislation or actions. In other words, if the USG has not reached the point of raising an issue privately, either bilaterally or in a multilateral context, then we should refrain from airing it publicly. Second, we question the appropriateness of criticizing in a public USG report a law or regulation that has not yet been passed by a country's legislature or been fully implemented by decree. Third, after consulting with Washington, Post worked hard in recent months to clarify that any concerns regarding the law should be resolved between FATF and the GOA, not bilaterally.

With governments such as the current one in Argentina, public USG criticisms are rarely productive and usually counterproductive, and working through multilateral organizations is generally much more effective, if that channel is available as it was in this case via FATF. End Comment.

WAYNE